

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7712

Request of Vermont Gas Systems, Inc. to )  
establish a System Expansion and Reliability )  
Fund with funds provided by reductions in the )  
quarterly Purchase Gas Adjustment rate under )  
the Alternative Regulation Plan )

Order entered: 5/24/2011

**SECOND INTERIM ORDER RE:**  
**MODIFICATION OF ALTERNATIVE REGULATION PLAN**

**INTRODUCTION**

On February 7, 2011, Vermont Gas Systems, Inc. ("VGS" or the "Company") filed a request for an accounting order seeking to establish a "Vermont System Expansion and Reliability Fund" (the "Fund") for the purpose of funding planning and development costs associated with VGS's potential expansion of service into the Vergennes and Middlebury, Vermont, market areas. Specifically, VGS requests authorization to establish and record the Fund on its books as a "Regulatory Liability." The Fund would be funded by deferring and escrowing savings that would otherwise be passed through to ratepayers from an anticipated rate reduction in its quarterly Purchase Gas Adjustment ("PGA") under VGS's Alternative Regulation Plan ("ARP" or "Plan").

On February 16, 2011, the Vermont Public Service Board ("Board") issued an Order authorizing VGS to establish the proposed Fund, on an interim basis, and to defer the savings obtained from the PGA by escrowing that money into the Fund.<sup>1</sup> In that Order, we further indicated that we would attempt to complete this Docket before May 24, 2011 — the deadline for

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1. The Board also stated that if the Fund ultimately is not approved, then VGS would be required to return any amounts in the interim Fund to ratepayers.

the Company to file for regulatory review of its next quarterly rate adjustment under the ARP. On May 16, 2011, VGS and the Vermont Department of Public Service (the "Department") filed for review and approval a Memorandum of Understanding ("MOU") setting forth the principal terms pursuant to which the Fund would be permanently established and administered.

Under the ARP, VGS is required to issue notice two months in advance of any quarterly rate adjustment to be implemented on a bills-rendered basis. Given the impending deadline of May 24, 2011, for the next PGA filing, there is too little time remaining for the Board to complete its review of the MOU. Therefore, for purposes of calculating future PGA's due under the ARP, and until a final order has been issued in this Docket, VGS shall use as a baseline the net gas cost that would have been the basis for rates effective on April 22, 2011, had the Fund not been authorized on an interim basis in our Order dated February 16, 2011.<sup>2</sup> The effect of this Order is to allow VGS to continue to contribute to the Fund on an interim basis as we previously approved in our last Order, until the Board has finalized its review of the MOU in this proceeding and issued its final order.

**So ORDERED.**

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2. In Tariff Filing No. 8216 dated February 22, 2011, VGS calculated its net gas costs to be \$43,685,448. The interim approval of the fund allowed VGS to present no decrease in the natural gas charge to its customers, therefore, for the purposes of setting those rates VGS used \$48,094,169 for net gas costs in its calculation. VGS shall determine its next rate adjustment to be filed by May 24, 2011, using \$43,685,448 as the baseline amount.

Dated at Montpelier, Vermont, this 24th day of May, 2011.

<u>s/ James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/ David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/ John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: May 24, 2011

ATTEST: s/ Susan M. Hudson

Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)*